

## Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 EA-10 ISO-00 AID-05 CIAE-00 FRB-01

INR-07 NSAE-00 TRSE-00 XMB-04 OPIC-06 SP-02 CIEP-02

LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04 CEA-01 L-02

H-02 PRS-01 PA-02 USIA-15 /110 W

----- 042963

R 211732Z MAR 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 9523

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

AMCONSUL BELFAST

AMCONSUL EDINBURGH

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USDOC WASHDC

UNCLAS SECTION 01 OF 02 LONDON 04434

DEPARTMENT PASS TREASURY AND FRB

E.O. 11652:N/A

TAGS: ECON, UK

SUBJECT: ECONOMIC DEVELOPMENTS - WEEK ENDING MARCH 21

BEGIN SUMMARY: THE TRENDS OF INCREASING UNEMPLOYMENT AND  
INFLATION STILL OBTAIN. THE UNEMPLOYMENT RATE IS UP AS IS

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THE RETAIL PRICE INDEX AND THE WAGE RATE INDEX. THE IN-

DUSTRIAL PRODUCTION INDEX SHOWS A DOWNWARD TREND. DEMAND IS WEAK THOUGH CONSUMER SPENDING, ESPECIALLY RETAIL SALES, REMAIN LEVEL. THE BUDGET DATE IS NOT SET, BUT IT IS INCREASINGLY LIKELY THAT IT WILL BE IN MID TO LATE APRIL. CHANCELLOR HEALEY CONTINUES TO TALK TOUGH, INDICATING THAT UNTIL INFLATION -- NOW ALMOST WHOLLY FROM THE WAGE SIDE -- IS UNDER CONTROL AND DIMINISHING, NO REFLATIONARY MEASURES CAN BE TAKEN IN THE BUDGET. THE LEFT AND THE UNIONS ARE PRESSING FOR HIM TO STIMULATE DEMAND TO HALT THE RISING UNEMPLOYMENT. THE PUBLIC SECTOR DEFICIT WILL BE VERY LARGE THIS FISCAL YEAR BUT PUBLIC BORROWING HAS NOT INTERFERRED YET WITH A RESTRICTIVE (THOUGH LOOSENING) MONETARY POLICY NOR PRIVATE CAPITAL INVESTMENT. END SUMMARY

1. UNEMPLOYMENT. THE UK UNEMPLOYMENT RATE INCREASED TO 3.5 PERCENT FROM 3.4 PERCENT IN THE 30-DAY PERIOD TO MID-MARCH. THERE ARE NOW ABOUT 802,000 OUT OF WORK (754,000 ON A SEASONALLY ADJUSTED BASIS -- 3.2 PERCENT). VACANCIES FELL BY 6,600 OVER THE PERIOD. THOSE WORKERS ON SHORT-TIME ARE ESTIMATED TO HAVE INCREASED TO 220,000 FROM 180,000 IN JANUARY.

2. RETAIL PRICES. THE RETAIL PRICE INDEX FOR FEBRUARY ROSE 1.7 PERCENT TO 121.9 FROM 119.9 (JANUARY 1974 EQUALS 100). THE INDEX IS UP 19.9 PERCENT OVER A 12-MONTH PERIOD. THIS IS THE SAME 12-MONTH RATE OF INCREASE AS THE JANUARY INDEX SHOWED, THE FIRST TIME IN OVER A YEAR THAT THE RATE ON AN ANNUAL BASIS HAS NOT RISEN.

3. INDUSTRIAL PRODUCTION. THE INDEX OF INDUSTRIAL PRODUCTION ROSE FROM A DISTORTED LOW DECEMBER FIGURE IN JANUARY. THE INDEX NUMBER FOR JANUARY IS 105.9 (SEASONALLY ADJUSTED - 1970 EQUALS 100) UP FROM 102.8 IN DECEMBER. FOR THE 3-MONTH PERIOD NOVEMBER-JANUARY, HOWEVER, INDUSTRIAL PRODUCTION FELL BY 2.6 PERCENT FROM THE PREVIOUS 3-MONTH PERIOD. THE INDEX FOR MANUFACTURING PRODUCTION ROSE ALSO IN JANUARY (108.1/103.5), BUT THE NOVEMBER-JANUARY PERIOD IS DOWN ABOUT 3 PERCENT OVER THE PREVIOUS 3-MONTH PERIOD.

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4. RETAIL SALES. PROVISIONAL FIGURES FOR THE RETAIL SALES INDEX IN FEBRUARY INDICATE A SLIGHT FALL FROM THE HIGH JANUARY FIGURE AND A CONTINUATION OF THEIR FLAT TREND. FOR FEBRUARY, THE INDEX NUMBER WAS 112.0 (SEASONALLY ADJUSTED -- 1970 EQUALS 100) COMPARED WITH 113.0 IN JANUARY. THE INDEX NUMBER FOR RETAIL SALES HAS HOVERED AROUND 111 TO 112 SINCE THE MIDDLE OF 1974, AND STOOD AT 112.0 FOR THE FOURTH QUARTER OF 1973.

5. WAGES. FOR FEBRUARY, THE WEEKLY WAGE RATES INDEX ROSE BY 1.2 PERCENT; THE INDEX IS NOW UP 28.9 PERCENT ON A YEAR THE FEBRUARY INDEX NUMBER WAS 159.9 (158.0 IN JANUARY-JULY 1972 EQUALS 100).

6. EARNINGS. THE INDEX OF EARNINGS FOR JANUARY FELL 1.5 PERCENT TO 205.9 FROM 208.9 (1970 EQUALS 100). THIS REFLECTS DECREASED OVERTIME AND SHORT-TIME WORKING. THE INDEX INCREASED BY OVER 27 PERCENT ON A YEAR (MORE PRECISE COMPARISONS ARE MEANINGLESS BECAUSE OF THE 3-DAY WEEK IN THE FIRST QUARTER OF 1974).

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7. INTEREST RATES. THE BASE LENDING RATE OF BANKS WAS CUT TO 10-1/2 PERCENT BY MOST LARGE UK BANKS.

8. NATIONALIZATION. THE GOVERNMENT ANNOUNCED DETAILS OF ITS PROGRAM TO NATIONALIZE SHIPBUILDING AND AEROSPACE IN-UNCLASSIFIED

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DUSTRIES. THE NATIONALIZATION OF THESE TWO INDUSTRIES HAS BEEN A CONTINUING PART OF THE LABOR PARTY PROGRAM AND COMES AS NO SURPRISE.

9. FOREIGN EXCHANGE AND GOLD:

	3/13	3/20	CHANGE
EXCHANGE RATE	\$2.4140	\$2.4240	UP \$0.0100
EFFECTIVE DEPRECIATION			
(PERCENT)	21.3	21.3	UNCHANGED
GOLD	\$179.50	\$177.00	DOWN \$2.50

10. FORWARD DISCOUNT ON STERLING:

	3/13	3/20	CHANGE
1 MONTH	1.20	0.90	DOWN 0.30
3 MONTHS	3.65	3.10	DOWN 0.55
	3/13	3/20	CHANGE
6 MONTHS	6.75	6.10	DOWN 0.65

(ALL FIGURES IN CENTS)

11. EURODOLLAR INTEREST RATES:

	3/13	3/20	CHANGE
1 MONTH	6-1/4	6-1/4	UNCHANGED
3 MONTHS	6-3/4	6-7/8	UP 1/8
6 MONTHS	7-1/4	7-1/2	UP 1/4

12. LOCAL AUTHORITY DEPOSIT RATES:

	2/13	3/20	CHANGE
1 MONTH	11	10-1/4	DOWN 3/4
3 MONTHS	11	10-1/2	DOWN 1/2
6 MONTHS	11-3/16	10-5/8	DOWN 9/16

13. THE MINIMUM LENDING RATE WAS LOWERED TO 10 PERCENT ON FRIDAY, MARCH 21, 1975.

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## Message Attributes

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